

Middle class families would get an average \$1,500 tax benefit next year if it passes

Proposed legislation would incentivize hiring and growth by cutting the payroll tax in half for businesses

Hauppauge, NY – On Monday, Reps. Steve Israel (NY-2) and Tim Bishop (NY-1) joined with middle class Long Islanders and small business owners to call for an extension of the payroll tax cut. If passed, it would cut payroll taxes for working families, saving the average family \$1,500 next year. It would also cut payroll taxes in half for businesses on the first \$5 million in payroll and provide a full payroll tax holiday for those that hire new workers or increase wages up to \$50 million.

“It’s time for Congress to give a leg up to middle class families and small businesses. We need to extend and expand the payroll tax cut. Our economy is slowly chugging back to speed and now is not the time to raise taxes on those who need a break the most,” said Rep. Israel.

“We create jobs when middle class families have money to spend and confidence in their economic security. Combined with a payroll tax holiday to spur hiring, preserving tax cuts for the middle class will put America back to work and power our economic recovery,” said Rep. Bishop.

“It’s imperative that we look at different options that enable small businesses to improve their access to funds that could be used to reinvest in their businesses. This payroll tax cut could provide the funds necessary to buy new equipment, grow the business, and invest in employees – all positive economic effects. Small businesses have a lot of challenges right now – and if small business owners are able to utilize this tax break effectively it could have a great impact,” said Anne Shybunko-Moore, president of GSE Dynamics in Hauppauge, NY.

Unless Congress addresses the issue before the end of the year, nearly all American families and businesses will face a tax increase on January 1, 2012.

The payroll tax cut would cut the tax workers pay for Social Security from 6.2 percent in half to 3.1 percent, helping 160 million Americans and giving the average New York family with a median income of \$50,000 a \$1,550 tax cut next year. The proposed legislation would also cut payroll taxes in half for employers, from 6.2 percent to 3.1 percent, and provide a full payroll tax holiday on any increase in payroll for firms that hire new workers or increase wages up to \$50 million, creating an incentive for hiring.

For example, a small firm with a payroll of \$500,000 could hire two new workers, adding \$80,000 in payroll, and receive a tax cut of \$20,460, accounting for both the new hire tax holiday and the payroll tax cut for all other workers.

Payroll tax cuts have previously received bipartisan support in Congress, however the legislation is currently being held up by Republicans in Congress who opposed shared sacrifice and a 3.25 percent surcharge on Americans making more than \$1 million a year.

The existing payroll tax cut, which was passed last year and cut Social Security payroll taxes from 6.2 percent to 4.2 percent, expires on December 31, 2011. A payroll tax calculator that can show how much a specific family or individual would save is available on Rep. Israel's website.